

**FISCAL NOTE**  
**SB 60 - HB 90**  
**FIRST EXTRAORDINARY SESSION**

April 14, 1999

**SUMMARY OF BILL:** Provides a tax credit under the present franchise and excise tax laws for any taxpayer for any income year in which such taxpayer participates as a health care provider in a TennCare managed health or behavioral health organization. The credit would be based on the level of participation by the provider in the TennCare program as follows:

- 1) Providers who accept all presenting TennCare enrollees would receive a credit of 50% up to a maximum of \$200,000 of the tax liability shown on a tax return before such credit is taken.
- 2) Providers whose TennCare patients constitute 25% or above of their total patients would receive a credit of 10% up to a maximum of \$50,000.

The Department of Revenue, with the assistance of the TennCare Bureau and the Department of Commerce and Insurance, would promulgate any rules necessary to ensure the implementation and administration of the provisions of this bill. For the purpose of promulgation of rules, this bill would take effect immediately, for all other purposes, the bill would take effect on July 1, 1999.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$100,000**

**Increase State Expenditures - \$41,500 One-Time**

Estimate assumes the following:

- Based on information provided by the Department of Revenue, in 1996 there were approximately 1,500 known registered and active physician health care providers that paid franchise and or excise taxes (this amount may not include the total number of physician providers).
- The total amount of franchise and excise taxes paid by this sample of physicians is approximately \$2,400,000.
- The total decrease in state revenues is unable to be determined but can be estimated to exceed \$100,000.
- The Health Care Finance Administration would not find this tax credit impermissible per federal guidelines applicable to health care providers, since the tax will be applied to all businesses.

- Enhancing participation of health care providers in the TennCare program does not necessarily equate to increased cost savings by managed care organizations; thus, there would be no changes in the capitation amounts paid by TennCare to managed care organizations.
- A one-time increase in state expenditures of approximately \$41,500, of which \$40,500 is MIS system implementation costs, and \$1,000 is the cost to mail notices of tax law changes to health care providers.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director